

(USIVA)

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INTELLIGENCE REPORT

25X1A

COUNTRY Austria
SUBJECT Recent USIVA Developments
ORIGIN 25X1A

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SUPPLEMENT

1. Major General Borisov and Colonel Dikhomirov are not back from Moscow, but Utkin and Sagarin, chief and deputy respectively of the Light Industry Division, report that the USIVA leaders are not the only ones who were ordered to Moscow. All heads of administrations of Soviet property in occupied areas were summoned at the same time for a conference. The conference is drawing up a new economic plan for Soviet industries in occupied areas, which is designed to dovetail with the Soviet Five-Year Plan and to establish a Soviet economic policy for Europe.
2. [REDACTED] that USIVA owes Moscow \$1,000,000 for raw materials supplied by Russia. Moscow demands payment in dollars within a short stipulated time. USIVA efforts to obtain foreign exchange by goods export has not been successful so far. The deal with Czechoslovakia on certificates of origin has had no success, and no important transactions with Switzerland have been concluded. A way is now being sought to deliver finished goods to Russia to be credited in dollars on USIVA's debt. USIVA is not in a position however, to liquidate the entire debt in this way, but only a small portion.
3. USIVA is expected shortly to inform the Austrian Government that it is prepared to submit to the regulations of the Austrian National Bank and deliver 20% of foreign exchange profits to the government. If the government agrees, it will receive a momentary advantage in foreign exchange, but USIVA will have established itself legally in Austria. The special investigation committee established that USIVA will be unable to compete for the European market in the near future, if it is not fitted into the Austrian economy and carrying on export business within this framework. Integration into the Austrian economy would be gradual, with USIVA retaining extraterritorial rights. Molotov has denied that the Soviets desire such rights, [REDACTED] that USIVA would under no conditions surrender extraterritoriality. The legalization of USIVA must thus be carried out by all means while the Russian troops are still in occupied Austria.
4. The special investigating committee has finished its work and returned to the USSR. The only results known so far are that no changes in USIVA leadership will be made. Some Soviet factory managers, however, may be replaced soon because of irregularities. The administrator of Glanzstoffabrik St. Poelten is expected to be dismissed because of black market activities.

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5. One of the most important changes ordered by the committee is in bookkeeping. Heretofore, all records were kept in Russian, and necessary agreements were translated into German. Now only the records of the central card registry are to be kept in Russian. All individual records of the various branches and factories are to be in German. This directive has been implemented during the past six weeks, and the change-over is now reported to be complete. This is said to be motivated by a desire to secure the good will of the Austrian Government in its relations with USIVA, ostensibly giving the Austrians the opportunity to follow the records closely.
 6. USIVA representatives have been sent to Sweden and Egypt to transact business. No concrete details are yet available, but the Swedish negotiations are reported to be a failure. While success is expected in Egypt with an early agreement possible. (Comment: This is believed to be an arrangement for obtaining raw cotton.) 25X1A
 7. USIVA insistence on foreign currency payment has led to a rift with the Soviet Vienna headquarters. USIVA has refused to furnish goods for Soviet post exchanges in Austria, because they could pay only in schillings. Zheltov intervened on behalf of the Army but was rebuffed by Borisov. Kurassov then stepped in at Zheltov's request in an attempt to obtain the goods. Borisov showed Kurassov a Moscow order directing that no exception be made to the practice of delivering goods only for foreign exchange. In the face of USIVA firmness, Kurassov's only alternative was to make a report to Moscow.
 8. The separation of military and civilians in the Soviet Element ACA is to be carried out completely. The Russian members of Soviet civilian organizations will no longer be supplied through military channels. This includes members of the Soviet Danube Shipping Corporation, Yushtrans USIVA, etc., estimated by source to total about 5,000 persons. A cooperative of Soviet workers in Austria has been formed with Moscow's approval to supply this group. The members of the cooperative are to have ration cards, and military personnel is to be barred from the stores. Payment will be in schillings. The stores will be supplied by USIVA with its own goods or with items obtained through barter with Hungary and Romania. The items are said to include food. The cooperative branch under Major Lisitsin will be located on Kaerntnerring. (Comment: A contract between the Soviet military unit APO 61715 and the Anton Pelz Firm of Vienna for 1,000 pairs of women's shoes was signed by Major Lisitsin on 5 April 1947.) 25X1A
- (Washington Comment: For further information on the problems of USIVA, see

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